

*Consumers Water Company*  
*The Retirement Plan for Employees of*  
*Consumers Water Company and Associated Companies*

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**Actuarial Valuation Report**

**Pension Cost for Fiscal Year Ending December 31, 2002**

**Employer Contributions for Plan Year Beginning January 1, 2002**

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*June 2002*

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## *Management Summary of Valuation Results*

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## Financial Results

This report summarizes financial results for the Retirement Plan for Employees of Consumers Water Company and Associated Companies based on actuarial valuations as of January 1, 2002 and January 1, 2001.

	January 1, 2002	January 1, 2001
<b>FAS 87 Pension Cost</b>		
Amount	\$ 170,569	\$ (807,925)
Percent of covered pay	1.0%	(5.1)%
<b>FAS 87 Funded Position</b>		
Accumulated benefit obligation [ABO]	\$ 39,615,113	\$ 36,889,193
Fair value of assets [FV]	51,141,064	55,404,971
ABO funded percentage [FV ÷ ABO]	129.1%	150.2%
Prepaid (accrued) pension cost	\$ (425,340)	\$ (1,233,265)
<b>Employer Contributions</b>		
Minimum required	\$ 0	\$ 0
Maximum deductible	\$ 0	\$ 0
<b>ERISA Funded Position</b>		
Actuarial accrued liability [AAL]	\$ 41,637,518	\$ 39,818,290
Actuarial value of assets [AV]	48,316,685	45,887,926
AAL funded percentage [AV ÷ AAL]	116.0%	115.2%
Current liability funded percentage:		
▸ Selected interest rate	119.7%	108.9%
▸ Highest allowable interest rate	119.7%	108.9%

### **Discussion of Financial Results**

The financial results of the Retirement Plan for Employees of Consumers Water Company and Associated Companies were affected by the following factors:

- Investment returns during the prior year were lower than expected, which decreased the funded percentage and increased the pension cost.
- Long-term bond yields decreased during the prior year, resulting in a lower FAS 87 discount rate, which increased the pension cost. These effects were partially offset by the reduction in the assumption for future salary increases. The assumption was changed to be more in line with expected future pay practices of Consumers Water Company.

## Highlights

### Economic Assumptions

The discount rate for pension cost purposes is the rate at which the pension obligations could be effectively settled. This rate is based on high-grade bond yields, after allowing for call and default risk. The following bond yields were considered in the selection of the economic assumptions:

	<b>December 31, 2001</b>	<b>December 31, 2000</b>
30-year Treasury	5.48%	5.46%
Merrill Lynch 10+ High Quality	6.88%	7.30%
Moody's Aa	7.08%	7.41%
Moody's Baa	7.92%	8.00%

The assumed rate of return on assets for pension cost purposes is the weighted average of expected long-term asset return assumptions. The salary increase rate is a long-term rate based on current expectations of future pay increases. The assumptions for pension cost purposes are:

	<b>December 31, 2001</b>	<b>December 31, 2000</b>
Discount rate	7.25%	7.50%
Rate of return on assets	9.00%	9.00%
Salary increase rate	4.00%	4.50%

Assumptions used to determine statutory contribution limits must be reasonable, taking into account the experience of the plan and reasonable expectations. The discount rate used to determine the normal cost and actuarial accrued liability is based on the long-term expected return on assets. The current liability interest rate must be within the permissible range as issued by the IRS. That range and assumptions for contribution purposes are:

	January 1, 2002	January 1, 2001
Discount rate for normal cost and actuarial accrued liability	8.50%	8.50%
Current liability interest rate:		
▪ Permissible range	5.14% to 6.85%	5.32% to 6.21%
▪ Selected rate	6.85%	6.21%
Salary increase rate	5.00%	5.00%

### Demographic Assumptions

The cost of providing plan benefits depends on demographic factors such as retirement, mortality, and turnover. Demographic assumptions used in the valuation were selected to reflect the experience of the covered population and reasonable expectations. If actual experience is more favorable than assumed, future plan costs will be lower. Alternatively, if actual experience is less favorable than assumed, future plan costs will be higher. The demographic assumptions have not changed since the prior valuation.

### Demographics

Consumer Water Company had 375 active participants as of January 1, 2002. The number of active participants was 359 for the prior year. The number of inactive participants (in pay status and deferred) is 447 as of January 1, 2002, as compared to 431 from the prior year.

Covered payroll increased 6.8% from the prior year. Pay increases for employees active in both prior and current valuations were 3.8%, rather than the 5.00% rate expected on a contribution basis.

## Assets

As of January 1, 2002, the plan's investment portfolio consists of approximately 65% equities and 35% fixed income and other investments.

In the year ended December 31, 2001, the plan's portfolio achieved a (4.0)% investment return (net of expenses), while the capital markets performed as follows:

Large equities [S&P 500]	(11.89)%
Intermediate/small equities [Russell 2500]	1.22%
Non-U.S. equities [EAFE]	(21.21)%
Bonds [Lehman Brothers Aggregate]	8.44%
Cash equivalents [Salomon Brothers 90-Day T-Bill]	4.09%

## Changes in Benefits Valued

On June 7, 2001, the Economic Growth and Tax Relief Reconciliation Act was signed into law. EGTRRA contains a number of significant provisions affecting qualified plans, including increases in the maximum pay that can be recognized for pension purposes and the maximum benefit that can be paid from a defined benefit plan, as well as changes affecting the maximum deductible contribution.

The benefits valued for those active as of January 1, 2002 reflect the change in the IRC Section 401(a)(17) pay limit to \$200,000 for all future years. The increase in the IRC Section 415(b) maximum benefit limit to \$160,000 has been reflected for participants commencing benefits on or after January 1, 2002.

There have been no other changes in benefits valued since the prior year.



## **FAS 87 Pension Cost and Funded Position**

Pension cost is the amount recognized in Consumers Water Company's financial statement as the cost of the pension plan and is determined in accordance with Financial Accounting Standard No. 87. The fiscal 2002 pension cost for the plan is \$170,569, or 1.0% of covered pay.

Under FAS 87, an important measure of funded position is a comparison of the fair value of assets to the accumulated benefit obligation (ABO). The ABO is the present value of accumulated benefits based on service and pay as of the measurement date.

The plan's ABO funded percentage is 129.1% as of January 1, 2002, based on the fair value of assets of \$51,141,064 and an ABO of \$39,615,113. Consumers Water Company's balance sheet must reflect a minimum liability equal to the unfunded ABO for each pension plan with a funded percentage (fair value of assets divided by ABO) under 100%. To the extent that the minimum liability exceeds the accrued pension cost, an additional liability is recorded together with an offsetting intangible asset and/or a reduction in shareholders' equity (accumulated other comprehensive income).

Disclosures at fiscal year-end are prepared before the corresponding valuation results are available. Therefore, the December 31, 2001 additional minimum liability was derived from the January 1, 2001 valuation results. The December 31, 2002 disclosures will be developed based on the results of the January 1, 2002 valuation, rolled forward to the end of the year and adjusted for the year-end discount rate and asset values, as well as significant changes in plan provisions and participant population. The January 1, 2002 valuation results before that roll-forward process indicate no additional minimum liability and no reduction in shareholders' equity.

### **Change in Pension Cost and Funded Position**

The pension cost increased from \$(807,925) in fiscal 2001 to \$170,569 in fiscal 2002 because:

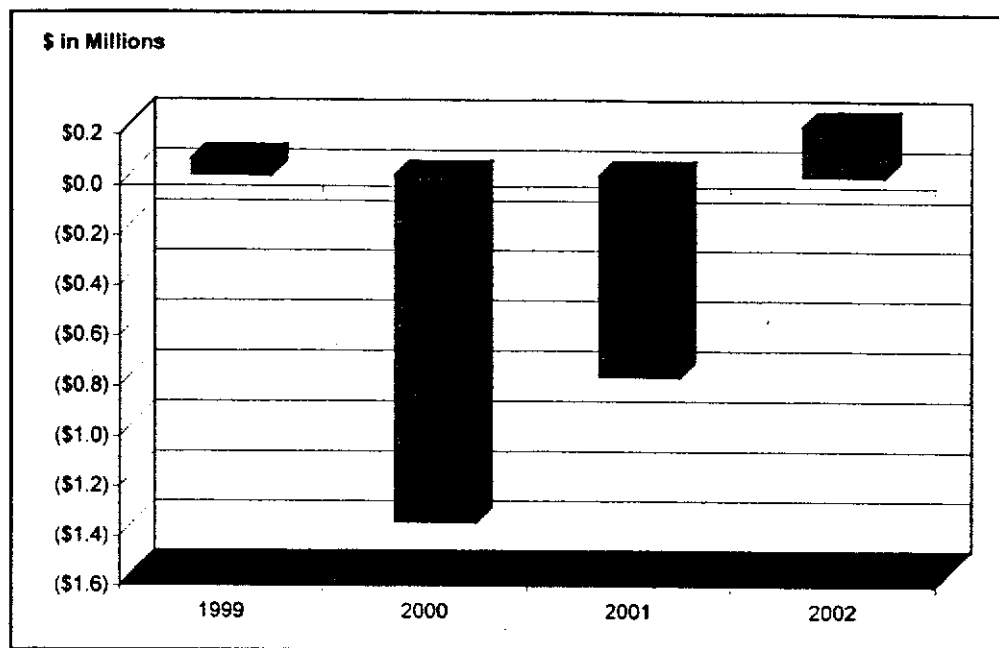
- Expected changes, based on prior year's assumptions, methods, plan provisions, and contributions, increased the pension cost \$28,833.
- Noninvestment experience decreased the pension cost \$32,164.
- The return on the fair value of plan assets was (4.0)% compared to 9.0% assumed in fiscal 2001, which increased the pension cost \$1,048,911.
- Assumption changes decreased the pension cost \$67,086.

The ABO funded percentage decreased from 150.2% to 129.1% primarily because the assets returned less than expected coupled with the decrease in the discount rate.

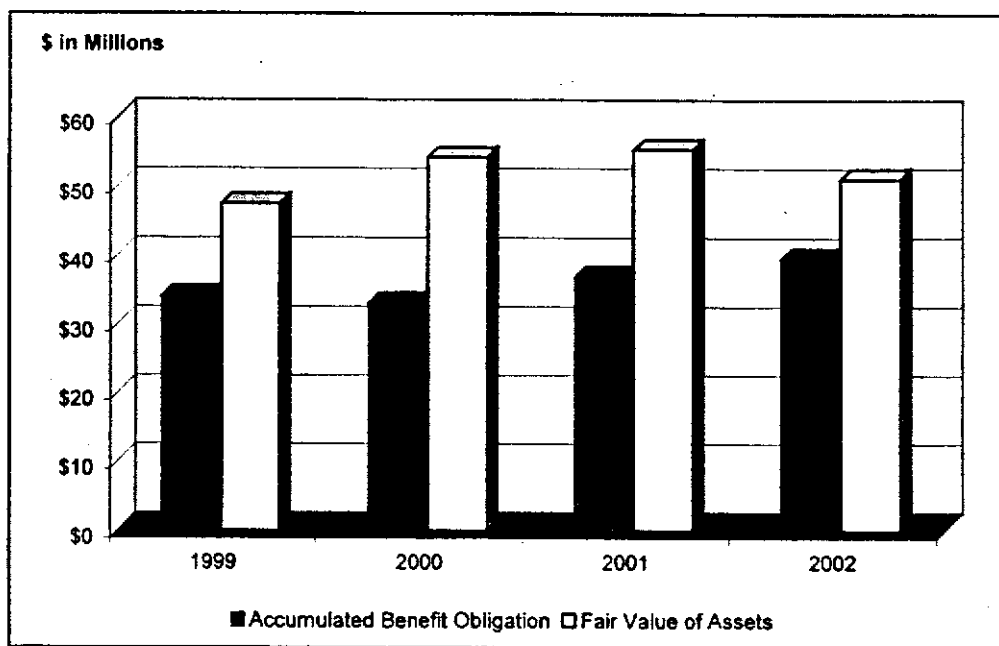
## History of Pension Cost and Funded Position

The following charts show the history of the plan's pension cost and ABO funded position:

### History of Pension Cost (Income)



### History of the Accumulated Benefit Obligation and Fair Value of Assets



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**History of Pension Cost and ABO Funded Percentage***----- Pension cost -----*

<i>Fiscal year</i>	<i>Amount</i>	<i>Percent of covered pay</i>	<i>ABO funded percentage</i>	<i>Discount rate</i>
2002	\$ 170,569	1.0%	129.1%	7.25%
2001	(807,925)	(5.1)	150.2	7.50
2000	(1,383,289)	(8.6)	163.6	7.75
1999	62,962	0.4	138.8	7.00

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## **Employer Contributions and ERISA Funded Position**

The company's funding policy is to contribute an amount equal to the minimum required contribution under ERISA. The company may increase its contribution above the minimum if appropriate to its tax and cash position and the plan's funded position. For 2002, the minimum required contribution is \$0. The maximum deductible contribution under the Internal Revenue Code is also \$0.

The funded position, on a contribution basis, is measured by comparing the actuarial value of assets with the actuarial accrued liability (AAL). The actuarial value of assets is a smoothed value that recognizes investment gains and losses over time. The AAL is the funding target, under ERISA, on which the employer contribution limits are based. As the funded percentage for a plan approaches or exceeds 100%, contributions to the plan may be restricted.

The plan's funded percentage (actuarial value of assets divided by AAL) is 116.0% as of January 1, 2002. This percentage is based on an actuarial value of assets of \$48,316,685 and an AAL of \$41,637,518.

### **Change in Contribution Requirements and Funded Position**

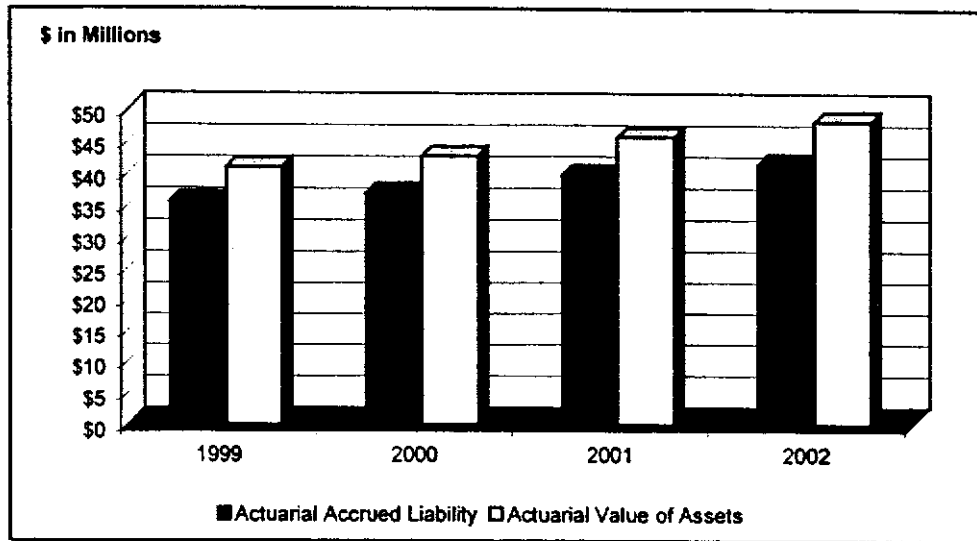
The minimum required contribution remained at \$0 due to the application of the full funding limit.

The AAL funded percentage increased slightly from 115.2% at January 1, 2001 to 116.0% at January 1, 2002.

## History of Employer Contributions and Funded Position

The following chart shows the history of the actuarial accrued liability and the actuarial value of assets.

### History of Actuarial Accrued Liability and Actuarial Value of Assets



### History of Employer Contributions and AAL Funded Percentage and Current Year's Funding Range

----- Employer contributions -----

Year	Amount	Percent of covered pay	AAL funded percentage	Discount rate
2002:				
• Minimum	\$ 0	0.0%	116.0%	8.50%
• Maximum	0	0.0		
2001	0	0.0	115.2	8.50
2000	0	0.0	115.5	8.50
1999	0	0.0	114.5	8.50

**Current Liability**

An alternative measure of funded position compares the actuarial value of assets with the plan's current liability. The current liability is the present value of benefits accrued to the valuation date reflecting IRS restrictions on interest and mortality assumptions.

If the current liability funded percentage is below 100%, quarterly contributions may be required in the following plan year. The plan's current liability funded percentage is 119.7% as of January 1, 2002. This percentage is based on an actuarial value of assets of \$48,316,685 and a current liability of \$40,380,304.

If the current liability funded percentage using the highest allowable interest rate is below 90%, additional funding requirements, as well as employee notification requirements, may be triggered. The plan's current liability funded percentage on this basis is 119.7% as of January 1, 2002.

**Timing of Contributions**

No quarterly contributions will be required for the 2003 plan year based on this year's valuation results.

## Actuarial Certification

Philadelphia Suburban Corporation retained Towers Perrin to perform a valuation of its pension plan for the purpose of determining (1) its pension cost in accordance with FAS 87 and (2) the minimum required and maximum tax-deductible contributions in accordance with ERISA and allowed by the Internal Revenue Code. This valuation has been conducted in accordance with generally accepted actuarial principles and practices.

The consulting actuary is a member of the Society of Actuaries and other professional actuarial organizations and meets their "General Qualification Standard for Prescribed Statements of Actuarial Opinions" relating to pension plans.

In preparing the results presented in this report, we have relied upon information provided to us regarding plan provisions, plan participants, and plan assets. While the scope of our engagement did not call for us to perform an audit or independent verification of this information, we have reviewed this information for reasonableness but have not audited it. The accuracy of the results presented in this report is dependent upon the accuracy and completeness of the underlying information.

The actuarial assumptions and the accounting policies and methods employed in the development of the pension cost have been selected by the plan sponsor, with the concurrence of Towers Perrin. FAS 87 requires that each significant assumption "individually represent the best estimate of a particular future event."

The actuarial assumptions and methods employed in the development of the contribution limits have been selected by Towers Perrin, with the concurrence of the plan sponsor. The Internal Revenue Code requires the use of reasonable assumptions.

The results shown in this report are reasonable actuarial results. However, a different set of results could also be considered reasonable actuarial results, since the Actuarial Standards of Practice describe a "best-estimate range" for each assumption, rather than a single best-estimate value. Thus, reasonable results differing from those presented in this report could have been developed by selecting different points within the best-estimate ranges for various assumptions.

The information contained in this report was prepared for the internal use of Philadelphia Suburban Corporation and its auditors in connection with our actuarial valuation of the pension plan. It is not intended nor necessarily suitable for other purposes. Further distribution to, or use by, other parties of all or part of this report is expressly prohibited without Towers Perrin's prior written consent.



Michael J. Thomas, FSA, EA

Towers Perrin

June 2002

## *Twelve-Year Forecast*

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## Introduction

This section provides a 12-year forecast of key financial results for the Retirement Plan for Employees of Consumers Water Company and Associated Companies.

The forecast assumes that the economic and demographic assumptions used for contribution purposes are met throughout the forecast period. Thus, investment return on the plan assets remains constant at 8.5% each year. This will generate asset losses in the pension cost forecast since the rate of return on assets is 9.0% for FAS 87 purposes. Salaries are assumed to increase at 5.0%, which generates liability losses in the pension cost forecast since the salary increase assumption is 4.0% for FAS 87 purposes.

Since this is a simplified forecast, we have assumed that the minimum contribution is made each year.

These forecasts illustrate one possible scenario. Examples of other scenarios that can be examined include:

- ▶ Capital market movements and changes in the general level of interest rates and inflation,
- ▶ Demographic experience including retirement and termination patterns, new employees, salary levels, and mortality,
- ▶ Plan funding strategies including different actuarial assumptions and cost methods, asset smoothing techniques, and asset allocation strategies, and
- ▶ Plan changes, including future acquisitions or plan mergers.

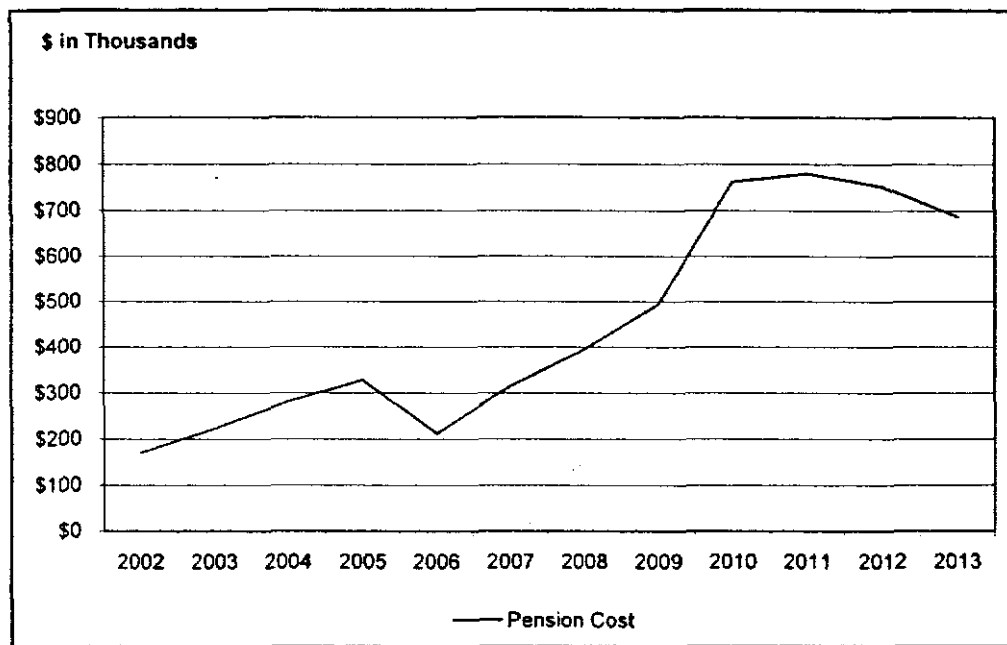
## FAS 87 Pension Cost and Funded Position

FAS 87 pension cost, the amount recognized in the company's financial statement, is \$170,569 for fiscal 2002, or 1.0% of covered pay.

Pension cost generally increases from \$171,000 to nearly \$700,000 by the end of the forecast period. Note the decrease in 2006 is due to the expiration of an amortization charge and an increase occurs in 2010 as the amortization of the net transition asset ceases.

Projected pension cost for the period from fiscal 2002 to fiscal 2013 is shown below:

### Projected Pension Cost



- (b) Prospective Benefit: The amount that would have been paid to the spouse if the member had terminated employment on his date of death, survived to retire at age 55 and elected the 50% Spouse Joint and Survivor Annuity. Payments will not commence prior to the month following the date that would have been the member's 55th birthday.
- 9. Postretirement Death Benefit: None except as provided under normal or optional forms of annuities.
- 10. Employee Contributions: None.
- 11. Forms of Benefit:
  - (a) Normal Form: For single participants the benefits are payable for life. For married participants the benefits are actuarially reduced to provide a 50% joint and survivor annuity with the spouse as beneficiary if such an option was elected.
  - (b) Optional Forms: Life annuity option for married participants; 10-year certain and continuous annuities; 50%, 66 2/3% and 100% joint and survivor annuities. Optional forms are determined to be actuarially equivalent to a life annuity.
- 12. Maximums on Benefit and Pay: All benefits and pay subject to maximum limitations specified by the Employee Retirement Income Security Act of 1974, as amended and defined by the Code for that calendar year.

### **Changes in Plan Provisions Since Prior Year**

On June 7, 2001, the Economic Growth and Tax Relief Reconciliation Act was signed into law. EGTRRA contains a number of significant provisions affecting qualified plans, including increases in the maximum pay that can be recognized for pension purposes and the maximum benefit that can be paid from a defined benefit plan, as well as changes affecting the maximum deductible contribution.

The benefits valued for those active as of January 1, 2002 reflect the change in the IRC Section 401(a)(17) pay limit to \$200,000 for all future years. The increase in the IRC Section 415(b) maximum benefit limit to \$160,000 has been reflected for participants commencing benefits on or after January 1, 2002.

### **Plan Provisions Effective After January 1, 2002**

No future plan provisions were recognized in determining pension cost or in determining minimum and maximum contributions.

(b) Prospective Benefit:

- (i) Payable at age 65 — benefit as described in 4(b) above based on Average Compensation and Credited Service at date of termination.

6. Premature Retirement:

(a) Eligibility:

- (i) Attained age 55 and 20 Years of Service.

A. Deferred Benefit — Unreduced benefit commencing at Normal Retirement Date or Projected Early Retirement Date, based on Average Compensation and Credited Service on Premature Retirement Date.

B. Immediate Benefit — Benefit as computed in 4(b), reduced by 1/4 of 1% for each month by which Premature Retirement Date precedes the earlier of Normal or Projected Early Retirement Date.

- (ii) Attained age 62 and 5 Years of Service.

A. Deferred Benefit — Unreduced benefit commencing at Normal Retirement Date or Projected Early Retirement Date, based on Average Compensation and Credited Service on Premature Retirement Date.

B. Immediate Benefit — Benefit as computed in 4(b), reduced by 1/2 of 1% for each month by which Premature Retirement Date precedes Normal Retirement Date.

7. Vested Benefit:

- (a) Eligibility: Completion of at least five Years of Service after member's 18th birthday.

(b) Prospective Benefit: Benefit as described in (4)(b) above based on Average Compensation and Credited Service at termination. Participants with 20 Years of Service can commence benefits as early as age 55, reduced as described in (6)(a) above.

8. Preretirement Death Benefit:

- (a) Eligibility: Spouses of participants who die after earning a vested accrued benefit.

## Plan Provisions

1. Effective Date of Plan: Original effective date of January 1, 1957. The Plan was amended and restated effective January 1, 1999.
2. Eligibility for Participation: On January 1, nearest the following:
  - (a) completion of one Year of Service.
  - (b) age 21 (nearest birthday)
3. Definitions:
  - (a) Computation Period: Calendar year.
  - (b) Year of Service (vesting): One year is earned for each plan year during which 1,000 hours or more are credited.
  - (c) Credited Service: Number of plan years during which an employee has completed 2,080 hours of service. Partial years are credited in years with less than 2,080 hours in proportion to the number of hours of service divided by 2,080 (to the nearest one-twelfth).
  - (d) Applicable Compensation: Basic annual rate of pay as of January 1 of each year.
  - (e) Average Compensation: The annual average of the Applicable Compensation during the five consecutive Computation Periods as an active participant yielding the highest such average.
4. Normal Retirement Benefit:
  - (a) Eligibility: The first day of the month coincident with or next following attainment of age 65.
  - (b) Prospective Benefit: 1.50% of Average Compensation multiple by Years of Credited Service to a maximum of 35 years.
5. Early Retirement Benefit:
  - (a) Eligibility: When the sum of member's age and Years of Service equals or exceeds 95.

**Reconciliation of Participant Data**

	<i>Active</i>	<i>Deferred inactive</i>	<i>Currently receiving benefits</i>	<i>Total</i>
Included in January 1, 2001 valuation	359	229	202	790
Employees not eligible to participate	9	0	0	9
Total employees at January 1, 2001	368	229	202	799
Change due to:				
▶ New entrant	31	0	0	31
▶ Nonvested termination	(1)	0	0	(1)
▶ Vested termination	(6)	6	0	0
▶ Retirement	(7)	(4)	17	6
▶ Disability	0	0	0	0
▶ Death without beneficiary	0	0	0	0
▶ Death with beneficiary	(2)	(1)	(3)	(6)
▶ Cashout	0	0	0	0
▶ Miscellaneous	0	0	0	0
▶ Transfers out	(1)	1	0	0
▶ Net change	14	2	14	30
Total employees at January 1, 2002	382	231	216	829
Employees not eligible to participate	(7)	0	0	(7)
Included in January 1, 2002 valuation	375	231	216	822

Active Age, Service, and Earnings

Age Last Birthday		Completed Years of Service-----												Total
		0	1	2	3	4	5-9	10-14	15-19	20-24	25-29	30-34	Over 34	
15-19	Number	0	0	0	0	0	0	0	0	0	0	0	0	0
	Tot pay	0	0	0	0	0	0	0	0	0	0	0	0	0
	Avg pay	0	0	0	0	0	0	0	0	0	0	0	0	0
20-24	Number	0	3	0	0	1	0	0	0	0	0	0	0	4
	Tot pay	0	84156	0	0	27040	0	0	0	0	0	0	0	111196
	Avg pay	0	28052	0	0	27040	0	0	0	0	0	0	0	27799
25-29	Number	0	1	1	1	0	3	0	0	0	0	0	0	6
	Tot pay	0	24482	38875	40581	0	140421	0	0	0	0	0	0	244359
	Avg pay	0	24482	38875	40581	0	46807	0	0	0	0	0	0	40727
30-34	Number	3	2	3	4	1	4	6	0	0	0	0	0	23
	Tot pay	113277	79399	100651	156811	31470	172432	249121	0	0	0	0	0	903161
	Avg pay	37759	39700	33550	39203	31470	43108	41520	0	0	0	0	0	39268
35-39	Number	2	2	0	0	1	8	18	4	0	0	0	0	35
	Tot pay	75129	80870	0	0	25709	340487	776029	159890	0	0	0	0	1458114
	Avg pay	37565	40435	0	0	25709	42561	43113	39973	0	0	0	0	41660
40-44	Number	1	6	1	1	2	7	20	12	18	1	0	0	69
	Tot pay	23920	245399	47528	26000	35652	311938	943349	536380	769975	42474	0	0	2982615
	Avg pay	23920	40900	47528	26000	17826	44563	47167	44698	42776	42474	0	0	43226
45-49	Number	2	3	2	0	0	5	18	14	27	21	0	0	92
	Tot pay	69035	80965	87069	0	0	231047	788569	681721	1282894	903411	0	0	4124711
	Avg pay	34518	26988	43535	0	0	46209	43809	48694	47515	43020	0	0	44834
50-54	Number	1	3	1	3	0	6	13	11	24	18	11	0	91
	Tot pay	84906	145912	34778	87152	0	389116	598283	568007	1475264	764820	493252	0	4641490
	Avg pay	84906	48637	34778	29051	0	64853	46022	51637	61469	42490	44841	0	51005
55-59	Number	1	0	0	0	2	0	8	8	4	4	5	4	36
	Tot pay	37128	0	0	0	72945	0	324890	325478	174095	163406	337879	169520	1605341
	Avg pay	37128	0	0	0	36473	0	40611	40685	43524	40852	67576	42380	44593
60-64	Number	0	0	0	0	0	1	2	3	1	5	0	5	17
	Tot pay	0	0	0	0	0	17638	67871	112403	16836	270962	0	182417	668127
	Avg pay	0	0	0	0	0	17638	33936	37468	16836	54192	0	36483	39302
Over 64	Number	0	0	0	0	0	0	0	1	0	0	1	0	2
	Tot pay	0	0	0	0	0	0	0	68744	0	0	60819	0	129563
	Avg pay	0	0	0	0	0	0	0	68744	0	0	60819	0	64782
Total	Number	10	20	8	9	7	34	85	53	74	49	17	9	375
	Tot pay	403395	741183	308901	310544	192816	1603079	3748112	2452623	3719064	2145073	891950	351937	16868677
	Avg pay	40340	37059	38613	34505	27545	47149	44095	46276	50258	43777	52468	39104	44983

Average Age = 46.9

Average Service = 16.8

**Analysis of Inactive Participant Data****Deferred Inactive**

<i>Age last birthday</i>	<i>Number</i>	<i>Annual benefit</i>	<i>Average annual benefit</i>
< 40	39	\$ 168,625	\$ 4,324
40 - 49	97	622,794	6,421
50 - 54	53	391,888	7,394
55 - 59	27	175,242	6,490
60 - 64	14	79,415	5,673
> 64	<u>1</u>	<u>4,927</u>	4,927
Total	231	\$ 1,442,891	\$ 6,246

**Currently Receiving Benefits**

<i>Age last birthday</i>	<i>Number</i>	<i>Annual benefit</i>	<i>Average annual benefit</i>
< 55	9	\$ 59,901	\$ 6,656
55 - 59	12	185,786	15,482
60 - 64	28	373,790	13,350
65 - 69	46	488,054	10,610
70 - 74	48	507,633	10,576
75 - 79	44	273,009	6,205
> 79	<u>29</u>	<u>188,620</u>	6,504
Total	216	\$ 2,076,793	\$ 9,615



## Participant Data

	January 1, 2002	January 1, 2001
<b>Active</b>		
Number	375	359
Average age	46.9	47.0
Average past service	16.8	17.4
Average future service	14.4	14.2
Covered pay:		
▪ Total	\$ 16,868,677	\$ 15,788,306
▪ Average	44,983	43,979
<b>Deferred Inactive</b>		
Number	231	229
Average age	48.0	47.1
Annual benefits:		
▪ Total	\$ 1,442,891	\$ 1,418,511
▪ Average	6,246	6,194
<b>Currently Receiving Benefits</b>		
Number	216	202
Average age	71.0	70.5
Annual benefits:		
▪ Total	\$ 2,076,793	\$ 2,022,547
▪ Average	9,615	10,013
<b>Total Participants Included in Valuation</b>		
Number	822	790

- Net loss (gain) Net loss (gain) in excess of 10% of the greater of PBO or the market-related value of assets is amortized on a straight-line basis over the expected average remaining service of active participants expected to benefit under the plan.

#### Contributions:

- Valuation date First day of plan year
- Normal cost and actuarial accrued liability Projected unit credit
- Actuarial value of assets Roll forward of prior year's actuarial value of assets with contributions, disbursements, and expected return plus 20% of the excess of actual market value over expected actuarial value.

#### Benefits Not Valued

All benefits described in the Plan Provisions section of this report were valued. Towers Perrin has reviewed the plan provisions with the company and is not aware of any significant benefits required to be valued that were not.

#### Change in Assumptions and Methods Since Prior Valuation

- Pension cost The discount rate for benefit obligations was changed from 7.50% to 7.25%. The assumption for future salary increases was changed from 4.50% to 4.00%.
- Contributions The current liability interest rate was changed from 6.21% to 6.85%, which is within the permissible range.

#### Data Sources

Towers Perrin used asset data supplied by the trustee. PSC and Consumers Water Company furnished participant data. Data were reviewed for reasonableness and consistency, but no audit was performed. Assumptions or estimates were made by Towers Perrin when data were not available. Towers Perrin is not aware of any errors or omissions in the data that would have a significant effect on the results of our calculations.

**Benefit commencement date:**

- **Mortality**                      Surviving spouse benefits commence at the later of the death of the active participant or the date the participant would have attained age 55
  - **Termination**                      The later of age 65 or termination of employment
  - **Retirement**                      Upon termination of employment
- Form of payment**                      Life annuity

**Administrative expense:**

- **Pension cost**                      Investment return is net of any expenses paid by the trust
- **Contributions**                      Discount rate is net of roughly 10 basis points to reflect expenses paid by the trust

**Percent married**                      85%

**Spouse age**                      Wife three years younger than husband

**Covered pay**                      Rate of pay as of the valuation date

**Loadings**                      Liability for benefits for death between termination and commencement are approximated by a 5% load on the liability for termination benefits

**Methods****Pension cost:**

- **Measurement date**                      Fiscal year-end
- **Service cost and projected benefit obligation**                      Projected unit credit
- **Market-related value of assets**                      Fair value of assets
- **Amortization of unrecognized amounts:**
  - **Transition obligation (asset)**                      Transition obligation (asset) at the initial adoption of FAS 87 is amortized on a straight-line basis over 23 years beginning January 1, 1987.
  - **Prior service cost (credit)**                      Increase in PBO resulting from a plan amendment is amortized on a straight-line basis over the expected average remaining service of active participants expected to benefit under the plan. Decrease in PBO first reduces any unrecognized prior service cost; any remaining amount is amortized on a straight-line basis as described above.

## Actuarial Assumptions and Methods

	Pension Cost	Contributions
<b>Economic Assumptions</b>		
Discount rate	7.25%	8.50%
Return on assets	9.00%	N/A
Current liability:		
• Selected interest rate	N/A	6.85%
• Highest allowable interest rate	N/A	6.85%
Annual rates of increase:		
▸ Salaries	4.00%	5.00%
▸ Statutory limits on compensation and benefits	3.50%	N/A

### Demographic and Other Assumptions

Mortality	1994 Group Annuity Mortality Table (male and female) 1983 Group Annuity Mortality sex-distinct table for the RPA current liability as mandated by IRS	
Termination	Rates varying by age and service Sample rates:	
	Age	
	25	.0527
	40	.0384
	50	.0152
Disability	None assumed	
Retirement	Half of the employees will elect to retire when first eligible for unreduced early retirement (age plus service equal to 95), and the remainder at age 65, or attained age, if later.	

**Maximum Deductible Employer Contribution**

	January 1, 2002	January 1, 2001
<b>Maximum Deductible Employer Contribution</b>		
Maximum deductible contribution before adjustments	\$ 1,089,663	\$ 1,005,551
Allowable deduction, the greatest of:		
• Maximum deductible contribution after full funding limit	0	0
• Contribution necessary to satisfy minimum funding standards	0	0
• Contribution necessary to fund 100% of current liability	0	0
Maximum deductible contribution	0	0

## Minimum Required Employer Contribution

	January 1, 2002	January 1, 2001
<b>Minimum Required Employer Contribution</b>		
Normal cost	\$ 1,004,298	\$ 926,775
Amortization amounts	0	0
Interest adjustments	85,365	78,776
Additional funding charge	0	0
Credit balance with interest	<u>0</u>	<u>0</u>
Minimum required contribution before full funding limit	\$ 1,089,663	\$ 1,005,551
Minimum required contribution after full funding limit	0	0

No quarterly contributions will be required for the 2003 plan year based on this year's valuation results.

## Basic Results for Employer Contributions

	January 1, 2002	January 1, 2001
<b>Normal Cost and Liabilities</b>		
Normal cost	\$ 1,004,298	\$ 926,775
Actuarial accrued liability [AAL]	41,637,518	39,818,290
Current liability [CL]:		
▶ Selected interest rate	40,380,304	42,134,847
▶ Highest allowable interest rate	40,380,304	42,134,847
<b>Assets</b>		
Market value	\$ 51,141,064	\$ 51,974,022
Unrecognized investment losses (gains)	<u>(2,824,379)</u>	<u>(6,086,096)</u>
Actuarial value [AV]	\$ 48,316,685	\$ 45,887,926
<b>Funded Position</b>		
Unfunded actuarial accrued liability [AAL - AV]	\$ (6,679,167)	\$ (6,069,636)
AAL funded percentage [AV ÷ AAL]	116.0%	115.2%
CL funded percentage:		
▶ Selected interest rate	119.7%	108.9%
▶ Highest allowable interest rate	119.7%	108.9%
<b>Key Economic Assumptions</b>		
Discount rate for normal cost and actuarial accrued liability	8.50%	8.50%
Current liability interest rate:		
▶ Selected	6.85%	6.21%
▶ Highest allowable	6.85%	6.21%
Salary increase rate	5.00%	5.00%

## Present Value of Accumulated Plan Benefits for FAS 35

	January 1, 2002	January 1, 2001
<b>Actuarial Present Value of Accumulated Plan Benefits</b>		
Vested benefits:		
▸ Participants currently receiving benefits	\$ 16,986,251	\$ 16,675,962
▸ Other participants	<u>15,525,070</u>	<u>14,682,508</u>
• Total vested benefits	\$ 32,511,321	\$ 31,358,470
Nonvested benefits	<u>1,627,126</u>	<u>1,426,780</u>
Total accumulated benefits	\$ 34,138,447	\$ 32,785,250
Market value of assets	51,141,064	51,974,022

### Key Assumptions

Interest rate	8.50%	8.50%
Mortality	94 GAM	94 GAM

### Change in Actuarial Present Value of Accumulated Plan Benefits

Actuarial present value of accumulated plan benefits as of January 1, 2001 \$ 32,785,250

Change from 2001 to 2002:

• Additional benefits accumulated (including the effect of noninvestment experience)	744,260
• Interest due to decrease in the discount period	2,699,701
• Benefits paid	(2,090,764)
• Assumption changes	0
• Plan amendments	<u>0</u>

Actuarial present value of accumulated plan benefits as of January 1, 2002 \$ 34,138,447



## Pension Cost

	Fiscal 2002	Fiscal 2001
<b>Pension Cost</b>		
Service cost	\$ 1,175,567	\$ 1,092,682
Interest cost	3,445,511	3,368,934
Expected return on assets	(4,508,312)	(4,895,003)
Amortization:		
▸ Transition obligation (asset)	(209,005)	(209,005)
▸ Prior service cost (credit)	266,808	266,808
▸ Net loss (gain)	<u>0</u>	<u>(432,341)</u>
Pension cost	\$ 170,569	\$ (807,925)
Percent of covered pay	1.0%	(5.1)%
Per active participant	\$ 455	\$ (2,250)

### Change in Pension Cost

Pension cost for fiscal 2001	\$ (807,925)
Change from fiscal 2001 to fiscal 2002:	
▸ Expected based on prior valuation	28,833
▸ Loss (gain) from noninvestment experience	(32,164)
▸ Loss (gain) from asset experience	1,048,911
▸ Assumption changes	(67,086)
▸ Plan amendments	<u>0</u>
Pension cost for fiscal 2002	\$ 170,569

**Fiscal 2001****Development of Prepaid (Accrued) Pension Cost as of December 31, 2001**

Prepaid (accrued) pension cost, as of December 31, 2000	\$ (1,233,265)
Change during fiscal 2001:	
▪ Income (cost) recognized	807,925
▪ Employer contributions	0
▪ Effect of curtailments, settlements, and special termination benefits	<u>0</u>
Prepaid (accrued) pension cost, as of December 31, 2001	\$ (425,340)

**January 1, 2002****January 1, 2001****Reconciliation of Funded Status**

Funded status [FV – PBO]	\$ 3,739,312	\$ 10,558,889
Unrecognized net actuarial loss (gain)	(4,010,867)	(11,696,172)
Unrecognized prior service cost (credit)	1,491,092	1,757,900
Unrecognized transition obligation (asset)	<u>(1,644,877)</u>	<u>(1,853,882)</u>
Prepaid (accrued) pension cost	\$ (425,340)	\$ (1,233,265)

**Balance Sheet Effects**

Prepaid pension cost	\$ 0	\$ 0
Accrued pension cost	(425,340)	(1,233,265)
Additional minimum liability	0	0
Intangible asset	0	0
Accumulated other comprehensive income	<u>0</u>	<u>0</u>
Balance sheet effect	\$ (425,340)	\$ (1,233,265)

The Reconciliation of Funded Status and Balance Sheet Effects shown above differ from the amounts disclosed in Consumer Water Company's financial statements because disclosures are prepared before the corresponding valuation results are available.

## Basic Results for Pension Cost

	January 1, 2002	January 1, 2001
<b>Service Cost</b>	\$ 1,175,567	\$ 1,092,682
<b>Obligations</b>		
Accumulated benefit obligation [ABO]:		
▪ Participants currently receiving benefits	\$ 18,425,996	\$ 17,794,198
▪ Deferred inactive participants	5,294,747	4,576,077
▪ Active participants	<u>15,894,370</u>	<u>14,518,918</u>
Total ABO	\$ 39,615,113	\$ 36,889,193
Obligation due to future salary increases	<u>7,786,639</u>	<u>7,956,889</u>
Projected benefit obligation [PBO]	\$ 47,401,752	\$ 44,846,082
<b>Assets</b>		
Fair value [FV]	\$ 51,141,064	\$ 55,404,971
Unrecognized investment losses (gains)	<u>0</u>	<u>0</u>
Market-related value	\$ 51,141,064	\$ 55,404,971
<b>Funded Position</b>		
Unfunded PBO	\$ (3,739,312)	\$ (10,558,889)
Minimum liability [ABO – FV, minimum zero]	0	0
<b>Key Economic Assumptions</b>		
Discount rate	7.25%	7.50%
Rate of return on assets	9.00%	9.00%
Salary increase rate	4.00%	4.50%

## Asset Values

### Asset Values for Calculating Pension Cost

Fair value, excluding contributions receivable:

▪ As of January 1, 2001	\$ 55,404,971
▪ Contributions	0
▪ Benefit payments	(2,090,764)
▪ Investment return*	<u>(2,173,143)</u>
▪ As of January 1, 2002	\$ 51,141,064
▪ Rate of return	(4.0)%

Market-related value:

▪ As of January 1, 2001	\$ 55,404,971
▪ As of January 1, 2002	51,141,064
▪ Rate of return	(4.0)%

### Asset Values for Calculating Employer Contributions

Market value, including contributions receivable:

▪ As of January 1, 2001	\$ 51,974,022
▪ Contributions	0
▪ Disbursements	(2,090,764)
▪ Investment return*	<u>1,257,806</u>
▪ As of January 1, 2002	\$ 51,141,064
▪ Rate of return	2.5%

Actuarial value:

▪ As of January 1, 2001	\$ 45,887,926
▪ As of January 1, 2002	48,316,685
▪ Rate of return (assuming mid-year cash flow) for Schedule B of Form 5500	10.1%

- Includes adjustment for annuity contract surrenders.

## *Supplemental Information*

<i>Asset Values .....</i>	<i>SI-1</i>
<i>Basic Results for Pension Cost.....</i>	<i>SI-2</i>
<i>Pension Cost.....</i>	<i>SI-4</i>
<i>Present Value of Accumulated Plan Benefits for FAS 35 .....</i>	<i>SI-5</i>
<i>Basic Results for Employer Contributions.....</i>	<i>SI-6</i>
<i>Minimum Required Employer Contribution .....</i>	<i>SI-7</i>
<i>Maximum Deductible Employer Contribution .....</i>	<i>SI-8</i>
<i>Actuarial Assumptions and Methods .....</i>	<i>SI-9</i>
<i>Participant Data .....</i>	<i>SI-12</i>
<i>Plan Provisions.....</i>	<i>SI-16</i>

## Cash Flow

The company contributes to the pension funds so that, along with investment return, assets will be available to meet benefit payments to plan participants. Cash flow in 2001 was as follows:

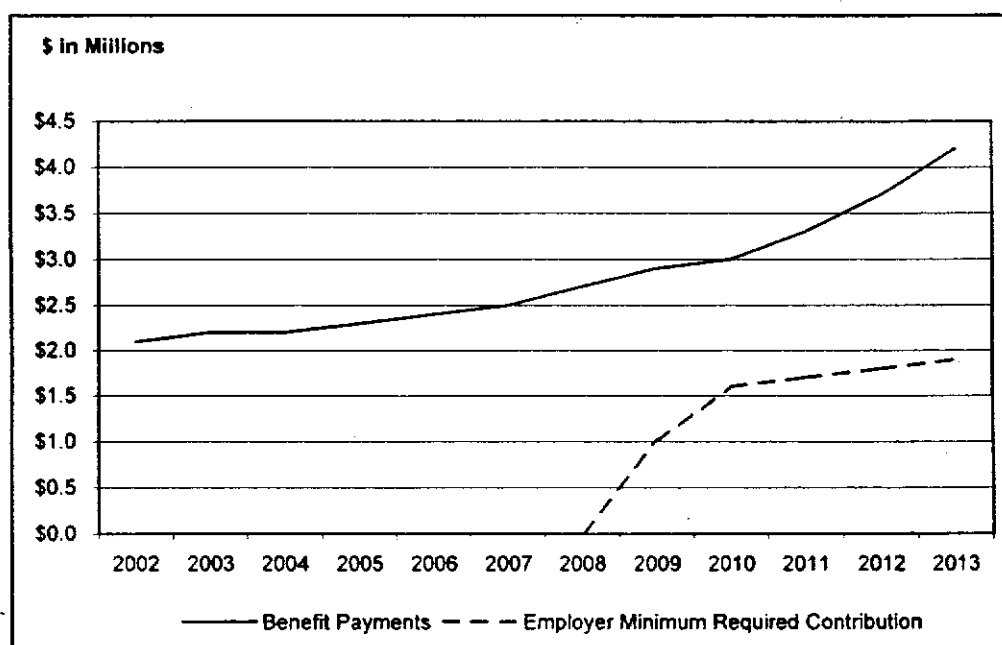
Employer contributions	\$ 0
Benefits and expenses	<u>(2,090,764)</u>
Net cash flows	\$ (2,090,764)

Additional cash flow was generated from dividends and interest, maturity of fixed-income investments, sales of securities, and insurance contract surrenders.

Benefit payments and expenses increase throughout the forecast period, reaching \$4.2 million in 2013. Minimum required cash employer contributions are expected to be zero through 2008 and escalate for the remainder of the forecast period.

Projected employer contributions and benefit payments for the period from 2002 to 2013 are shown below. As illustrated, no contributions are required until 2009 assuming assets growth continuation rate of 8.5% each year. Contributions reach a level of \$2.0 million by the end of the forecast period.

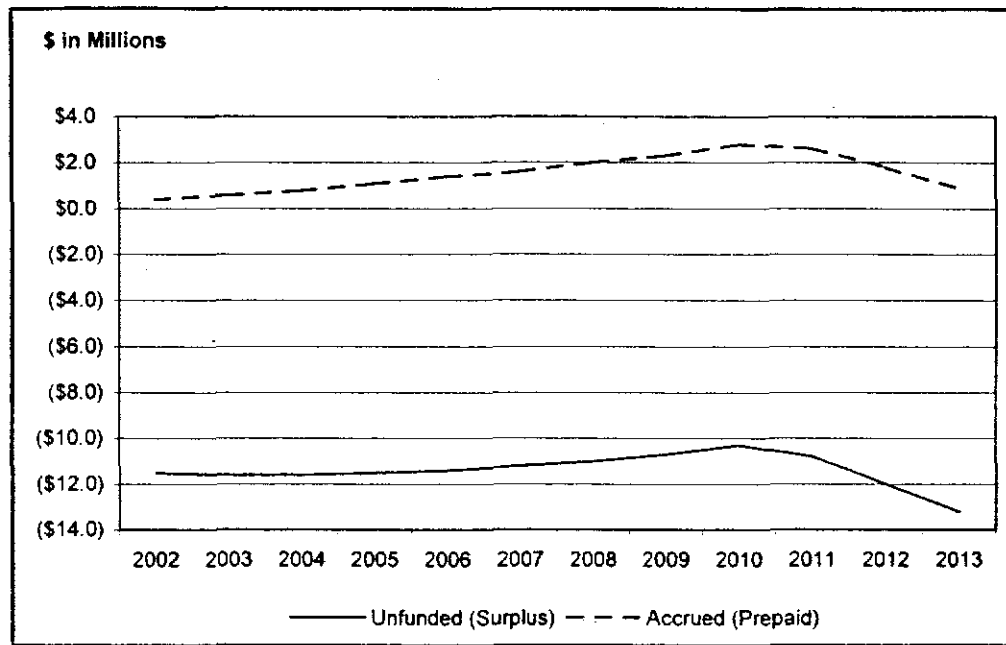
### Projected Minimum Required Employer Contributions and Benefit Payments



An additional liability must be recognized whenever an unfunded ABO exists which is larger than the accrued pension cost or an unfunded ABO exists and there is a prepaid pension cost.

Projected unfunded ABO (surplus) and accrued (prepaid) pension cost for the period from fiscal 2002 to fiscal 2013 are shown below:

**Unfunded ABO (Surplus)  
and Accrued (Prepaid) Pension Cost  
Base Case**



Funded status is measured by comparing the fair value of assets with the accumulated benefit obligation (ABO). A company's balance sheet must reflect a minimum liability equal to the unfunded ABO for each pension plan with an unfunded ABO. If the accrued pension cost is not sufficient to cover this minimum liability, an additional liability must be recognized. The portion of this additional liability that cannot be offset by the unrecognized transition obligation or prior service costs reduces shareholder equity.

As of January 1, 2002, the unfunded ABO (ABO surplus) is \$(11.5) million, while the accrued (prepaid) pension cost is \$0.4 million. In the forecast, the plan continues to have an ABO surplus and an accrued pension cost.



# *Towers Perrin*

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June 19, 2002

Roy H. Stahl, Esq.  
Executive Vice President  
Law and Administration  
Philadelphia Suburban Corporation  
762 Lancaster Avenue  
Bryn Mawr, PA 19010

Dear Roy:

## **JANUARY 1, 2002 POSTRETIREMENT WELFARE PLAN: PRELIMINARY RESULTS**

Enclosed herein are the preliminary results of the actuarial valuations of the Philadelphia Suburban Water Company Retiree Welfare Plans (PSC) and the Consumers' Postretirement Health and Life Insurance Plan (CWC Welfare Plan). Summarized below are the preliminary expense results for 2002 compared to this year's budget and prior year amounts.

## **FAS 106 EXPENSE RESULTS**

	<u>Actual Fiscal 2002</u>	<u>Fiscal 2002 Estimate</u>	<u>Actual Fiscal 2001</u>
PSC Corporate Plan	\$ 991,000	\$ 1,048,000	\$ 898,000
PSC Local 473 Plan	761,000	851,000	516,000
CWC Plan	<u>496,000</u>	<u>505,000</u>	<u>339,000</u>
Total	\$ 2,248,000	\$ 2,404,000	\$ 1,753,000

The results shown above do not include UMS. The FAS 106 cost for UMS as of January 1, 2002 is \$39,253 as compared to \$27,738 as of January 1, 2001. It is our understanding that PSC reports the costs for UMS separately.

The increase in actual 2002 FAS 106 (over actual 2001) costs is attributable to the combined effect of a lower discount rate, unfavorable asset performance, adverse actual claims experience, and a change in the assumed healthcare trend rate. Participant experience was relatively in line with expectations.

The actual results are slightly lower than our prior estimates as the medical claims loss which we had built into the estimate was not as high as anticipated.

***Towers Perrin***

Details for the current and prior year valuations are attached.

The remainder of this letter contains additional comments concerning the January 1, 2002 valuation results.

### **ASSUMPTION CHANGES**

The discount rate was decreased from 7.50% for 2001 to 7.25% for 2002 due to lower corporate bond yields as of the measurement date. In addition, the healthcare trend rate assumptions were revised to more accurately reflect the expected short-term cost increases in the healthcare marketplace. The new trend rates grade down from 12.0% in 2002 to 5.0% in years 2006 and beyond. These changes were reflected in the year-end 2001 financial disclosure.

In addition, we have changed the salary scale for the CWC Life Insurance Plan from 4.5% to 4.0%.

### **PLAN CHANGES**

There were no plan changes reflected in this year's valuations for the PSW or CWC Welfare Plans. The Defined Dollar Benefit formula (DDB caps) for the PSC program remains unchanged. The DDB cap increases 5% per year. For 2002, the annual pre-65 cap for a retiree is \$3,889. The annual post-65 capped cost is \$2,417.

### **CLAIMS EXPERIENCE**

- Generally speaking, both the prior PSC and CWC valuations had assumed 5% increase in claims costs to the Company from 2001 to 2002. Actual increases, however, ranged from 10% pre-65 PSC to 11% for CWC, thereby contributing to additional expense for 2002 over 2001. These increases, however, were slightly less than originally anticipated for the preliminary 2002 budget.
- There was wide variation in changes in claim costs for the various CWC groups, ranging from 0% change in fixed dollar credits to 40% for the Shenango Valley Group.
- Prescription drugs cost increases continue to be a strong influence on overall retiree healthcare costs.

Towers Perrin

## INVESTMENT PERFORMANCE

	<u>Actual 2001 Return</u>	<u>Expected 2001 Return</u>
Local 473 VEBA	(9.7)%	9.0%
PSW Salaried VEBA	1.5%	6.0%
CWC VEBA	1.8%	9.0%

The unfavorable capital market results during 2001 caused the FAS 106 costs to increase from prior year.

## DEMOGRAPHICS

The number of active participants increased from 368 to 382 for the CWC Plan, from 272 to 278 for the Corporate Plan and decreased from 313 to 300 for the Local 473 Plan. The number of covered retirees (excluding dependents) increased from 157 to 161 for the CWC Plan, from 86 to 98 for the Corporate Plan and from 82 to 86 for the Local 473 Plan.

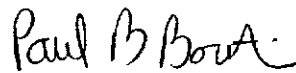
\* \* \* \* \*

Roy, we will call to schedule a time to review the CWC and PSW plan results with you and the PSC Team.

Sincerely,



Michael J. Thomas, FSA  
Consultant  
Direct Dial: 215-246-4774



Paul B. Boutin, ASA  
Consultant  
Direct Dial: 215-246-4540

MJT/PBB:sl

Enclosure

cc: David P. Smeitzer --- Philadelphia Suburban Corporation  
Fran Marabella --- Philadelphia Suburban Water Company  
Gina Ross --- Philadelphia Suburban Water Company  
Susan Broussard --- Philadelphia Suburban Water Company

**PHILADELPHIA SUBURAN CORPORATION  
HEALTHCARE TREND RATES**

<b>2001 FAS 106 Trends</b>	<b>PSW</b>		<b>CWC</b>	
<i>Year</i>	<i>Pre-65</i>	<i>Post-65</i>	<i>Pre-65</i>	<i>Post-65</i>
2001	5.0%	15.0%	5.0%	5.0%
2002	4.5%	13.0%	5.0%	5.0%
2003	4.5%	10.0%	5.0%	5.0%
2004	4.5%	7.5%	5.0%	5.0%
2005	4.5%	5.0%	5.0%	5.0%
2006+	4.5%	4.5%	5.0%	5.0%

<b>2002 FAS 106 Trends</b>	<b>PSW</b>		<b>CWC</b>	
<i>Year</i>	<i>Pre-65</i>	<i>Post-65*</i>	<i>Pre-65</i>	<i>Post-65</i>
2002	12.0%	12.0%	12.0%	12.0%
2003	10.0%	10.0%	10.0%	10.0%
2004	8.0%	8.0%	8.0%	8.0%
2005	6.0%	6.0%	6.0%	6.0%
2006+	5.0%	5.0%	5.0%	5.0%

\* DDB cap in place with 5% annual inflation

**PHILADELPHIA SUBURBAN WATER COMPANY  
JANUARY 1, 2002 POSTRETIREMENT WELFARE PLAN VALUATION**

**SUMMARY OF FAS 106 NET POSTRETIREMENT BENEFIT COST FOR 2002 FISCAL YEAR**

	<u>Local 473</u>			<u>Salaried</u>	<u>Total</u>
	<u>Life</u>	<u>Medical</u>	<u>Total</u>		
<b>Valuation Participant Counts</b>					
- Total retirees & surviving spouses			86	98	184
- Fully eligible actives			26	25	51
- Other actives			<u>274</u>	<u>253</u>	<u>527</u>
- Total			386	376	762
<b>Accumulated Postretirement Benefit Obligation (APBO)</b>					
<b>at 1/1/2002 for Medical, Drugs and Life Insurance</b>					
- Retirees & surviving spouses	\$ 390,054	\$ 3,513,172	\$ 3,903,226	\$ 3,759,242	\$ 7,662,468
- Fully eligible actives	51,124	1,278,255	1,329,379	1,166,969	2,496,348
- Other actives	<u>77,058</u>	<u>3,823,315</u>	<u>3,900,373</u>	<u>3,346,168</u>	<u>7,246,541</u>
- Total	\$ 518,236	\$ 8,614,742	\$ 9,132,978	\$ 8,272,379	\$ 17,405,357
<b>Fair Value of Plan Assets at 1/1/2002</b>					
- Approx. 2001 rate of return		9.7%		1.5%	
<b>Reconciliation of Funded Status at 1/1/2002</b>					
Funded status (FV - APBO)			\$ (2,004,523)	\$ (4,684,260)	\$ (6,688,783)
Unrecognized net actuarial loss (gain)			(146,279)	(481,659)	(627,938)
Unrecognized transition obligation			4,149,864	2,923,238	7,073,102
Unrecognized prior service cost (credit)			<u>(552,481)</u>	<u>(151,590)</u>	<u>(704,071)</u>
Prepaid (accrued) postretirement benefit cost			\$ 1,446,581	\$ (2,394,271)	\$ (947,690)
<b>FAS 106 Postretirement Welfare Benefit Cost for 2002</b>					
Service cost			\$ 375,618	\$ 332,158	\$ 707,776
Interest cost at 7.25%			674,078	609,627	1,283,705
Expected return on plan assets			(622,652)	(203,500)	(826,152)
Amortization of transition obligation			377,260	265,749	643,009
Amortization of prior service cost (credit)			(43,696)	(13,520)	(57,216)
Amortization of (gain) / loss			<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Postretirement Welfare Cost</b>			<b>\$ 760,608</b>	<b>\$ 990,514</b>	<b>\$ 1,751,122</b>
<b>Key Economic Assumptions</b>					
Discount rate	7.25%				
Return on assets	9.00% Local 473 / 6.00% Salaried				
Mortality	1994 GAM				

**CONSUMERS WATER COMPANY**  
**JANUARY 1, 2002 POSTRETIREMENT WELFARE PLAN VALUATION**

**SUMMARY OF FAS 106 NET POSTRETIREMENT BENEFIT COST FOR 2002 FISCAL YEAR**

	CWC		
	<u>Life</u>	<u>Medical</u>	<u>Total</u>
<b>Valuation Participant Counts</b>			
- Total retirees & surviving spouses			161
- Fully eligible actives			342
- Other actives			<u>40</u>
- Total			543
<b>Accumulated Postretirement Benefit Obligation (APBO)</b>			
<b>at 1/1/2002 for Medical, Drugs and Life Insurance</b>			
- Retirees & surviving spouses	\$ 578,647	\$ 1,179,451	\$ 1,758,098
- Fully eligible actives	94,818	512,602	607,420
- Other actives	<u>264,782</u>	<u>1,967,969</u>	<u>2,232,751</u>
- Total	\$ 938,247	\$ 3,660,022	\$ 4,598,269
<b>Fair Value of Plan Assets at 1/1/2002</b>			
- Approx. 2001 rate of return			\$ 1,499,776 1.8%
<b>Reconciliation of Funded Status at 1/1/2002</b>			
Funded status (FV - APBO)			\$ (3,098,493)
Unrecognized net actuarial loss (gain)			(539,912)
Unrecognized transition obligation			1,764,700
Unrecognized prior service cost (credit)			-
Prepaid (accrued) postretirement benefit cost			<u>\$ (1,873,705)</u>
<b>FAS 106 Postretirement Welfare Benefit Cost for 2002</b>			
Service cost			\$ 132,126
Interest cost at 7.25%			336,294
Expected return on plan assets			(126,747)
Amortization of transition obligation			160,400
Amortization of prior service cost (credit)			0
Amortization of (gain) / loss			<u>(5,632)</u>
<b>Total Postretirement Welfare Cost</b>			<b>\$ 496,441</b>
<b>Key Economic Assumptions</b>			
Discount rate	7.25%		
Return on assets	9.00%		
Mortality	1994 GAM		

## CONSUMERS WATER COMPANY – POSTRETIREMENT WELFARE BENEFITS

## ALLOCATED 2002 FAS 106 EXPENSE

	<u>APBO</u>	<u>Service Cost</u>	<u>2002 FAS Expense</u>
Consumers Water Co.	\$ 97,433	\$ 0	\$ 7,516
Consumers New Jersey Water Co.	212,159	12,358	29,621
Consumers Illinois Water Co.	638,981	14,933	65,311
Consumers Maine Water Co.	242,407	8,381	27,689
Consumers Ohio Water Co.	1,327,572	42,510	148,009
Consumers Pennsylvania – Susquehanna Div.	90,161	754	7,764
Consumers Penn.- Roaring Creek Div.	353,060	10,395	38,385
Consumers Penn.- Shenango Valley Div.	1,530,879	37,152	157,946
Consumers Information Services Group	20,096	1,406	3,058
Consumers New Hampshire Water Company	21,030	0	1,623
Consumers Service Company Group	63,565	3,311	8,455
Consumers Water Co. – Waymart Div.	<u>926</u>	<u>926</u>	<u>1,064</u>
TOTAL	\$4,598,269	\$132,126	\$496,441

June 12, 2002

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